

MORGAN COUNTY SCHOOL DISTRICT Re-3



Financial Statements

Fiscal Year Ended June 30, 2022

**715 West Platte Ave.
FORT MORGAN, COLORADO 80701**

**MORGAN COUNTY SCHOOL
DISTRICT Re-3
Fort Morgan, Colorado**

Financial Statements

***Fiscal Year Ended
June 30, 2022***

Prepared by the Department of Finance

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Morgan County School District Re-3

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Report of Independent Auditors

Board of Education
Morgan County School District Re-3

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County School District Re-3 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County School District Re-3 as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the general fund and special revenue funds, schedule of proportionate share of the net pension liability and contributions and schedule of proportionate share of the net OPEB liability and contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan County School District RE-3's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the combining and individual fund financial statements and schedules, and auditors integrity report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, schedule of expenditures of federal awards, and auditors integrity report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District 's internal control over financial reporting and compliance.



Medford, Oregon
December 15, 2022

Morgan County School District Re-3

Management's Discussion & Analysis

For the Fiscal Year Ended June 30, 2022

This discussion and analysis of Morgan County School District Re-3's financial performance provides an overview of the District financial activities for fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, along with the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2022 are as follows:

- The District's total net position increased by \$17,867,127 over the previous year net position. The majority of the increase is represented by a decrease in the District's net pension and postemployment benefit liabilities and deferred inflows for pensions and postemployment benefits in excess of the deferred outflows for pensions and other postemployment benefits over the same groups of accounts from June 30, 2021.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,696,694 compared to \$20,628,219 at the close of the prior fiscal year.
- Total ending fund balances for the governmental funds at June 30, 2022 included \$12,996,843 for the General Fund; \$303,302 for Federal Programs Fund, \$2,604,422 for the Bond Redemption Fund, \$9,142,858 for the Building Fund that was created in fiscal year 2013-2014 and \$1,649,269 in the District's nonmajor governmental funds which represent the District's Food Service Fund, Pupil Activity Fund and Federal Programs Fund. The \$9,142,857 in the Building Fund represents unspent bond proceeds and premiums earmarked for completion of the District's Legion Field renovations and ongoing District facility improvements.
- At June 30, 2022, the General Fund had \$115,534 in nonspendable fund balance (inventories and prepaids), \$1,500,000 and \$153,758 in restricted fund balance for emergency reserve (TABOR) and the Colorado Preschool carryover funds respectively and one additional restriction in the amount of \$643,873 for Mill Levy Override funds.
- The General Fund identified an assigned fund balance of \$746,177 representing capital projects. The remaining balance of \$9,837,501 is reported as unassigned fund balance.
- Governmental Activities general revenues accounted for \$32,998,521 in revenue or 75% of the total governmental revenues.
- Program specific revenues in the form of charges for services and operating grants and contributions and capital grants accounted for \$11,403,013 or 26% of total revenues of \$44,401,945.
- Total revenues were \$17,867,127 higher than expenses, which reflected the increase in net position from the prior year.
- The District governmental activities had \$26,534,818 in expenses which included approximately \$6 million less in pension and other postemployment benefits and deferred inflows.

Morgan County School District Re-3

Management's Discussion & Analysis

For the Fiscal Year Ended June 30, 2022

Financial Highlights (continued)

- The District has four governmental major funds - the General Fund, Federal Program Fund, Bond Redemption Fund and the Building Fund.

At the end of FY 2021-2022, the fund balance of the General Fund was \$12,996,843. Of this total, \$9,837,501 was unassigned.

At the end of FY 2021-2022, the fund balance of the Federal Programs Fund was \$303,302. Of this total, \$303,302 was restricted.

The Bond Redemption Fund showed expenditures in excess revenue of \$301,037 for an ending balance of \$2,604,422. The deficit was a result of capital lease payment and interest being moved into the Bond Reception Fund after mill levy calculation was certified by the County which resulted in not collecting enough property tax to cover this obligation. An adjustment will be made to the 2022-2023 tax calculation to recoup this amount.

The Building Fund had an ending fund balance of \$9,142,858 representing unexpended bond proceeds and premiums from the February 2015 bond issue, and bond proceeds and premiums from the 2022 bond issue.

The Food Service Fund and Pupil Activity Fund are the District's nonmajor governmental funds. The Food Service Fund showed revenues in excess of expenditures of \$278,136 for an ending fund balance of \$997,105. The Pupil Activity Fund showed revenues in excess of expenditures of \$25,873 for an ending balance of \$652,164.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Morgan County School District RE-3's basic financial statements. The District's basic financial statements consist of three components: 1) district-wide financial statements, 2) fund financial statements, and, 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

District-Wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's audited financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources. The difference between them is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Morgan County School District Re-3

Management's Discussion & Analysis

For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Financial Statements (continued)

The government-wide financial statements include functions of the District that are supported from taxes and intergovernmental revenues (governmental activities). Governmental activities consolidate governmental funds including the General Fund, Building Fund, Debt Service Fund and Special Revenue Funds.

Notes to the financials, which are included just following the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information sections provide further explanations and additional support for the financial statements, including a comparison of the District budget to actual revenues and expenditures for the year. Additional elements of this report include sections on the Single Audit and State Compliance.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where all of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant and facilities, pupil transportation and extracurricular activities.

The district wide financial statements can be found on pages 17-18 of this report.

Fund Financial Statements

- The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. The District has four major funds - the General Fund, Federal Programs Fund, Bond Redemption Fund and the Building Fund.
- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between them.

- ***Fiduciary funds:*** The District is the agent, or fiduciary, for assets that belong to others, such as the education memorial, scholarship funds and pupil activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Morgan County School District Re-3

Management's Discussion & Analysis

For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Financial Statements (continued)

- *Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the district wide and fund financial statements. The notes to the financial statements can be found on pages 25-54 of this report.
- *Required Supplementary Information:* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District. The District adopts an annual budget for all funds. A budgetary comparison schedule has been provided for the General Fund and the Federal Programs Fund.

Financial Analysis of the District as a Whole

As stated earlier, that Statement of Net Position and the Statement of Activities provide a financial glimpse of the District as a whole. Table 1 (Net Position Summary) provides a summary of the District net position for fiscal year 2022 as contained in the Statement of Net Position and compares that information to fiscal year 2021.

As the table shows, total net position as of June 30, 2022 were:

Table 1
Condensed Statement of Net Position

	Total Government Wide		Total Dollar Change	Total Percentage Change
	2022	2021	2022-2021	2022-2021
Assets				
Current Assets	\$ 32,163,700	\$ 26,585,347	5,578,353	20.98%
Net Capital Assets	62,297,754	61,023,662	1,274,092	2.09%
Total Assets	94,461,454	87,609,009	6,852,445	7.82%
Total Deferred Outflows of Resources	9,431,644	15,731,982	(6,300,338)	(40.05%)
Liabilities				
Other Liabilities	7,399,041	9,178,561	(1,779,520)	-19.39%
Long-Term Liabilities	66,414,032	78,924,893	(12,510,861)	(15.85%)
Total Liabilities	73,813,073	88,103,454	(14,290,381)	(16.22%)
Total Deferred Inflows of Resources	20,828,108	23,852,747	(3,024,639)	-12.68%
Net Position				
Net investment in				
Capital Assets	41,792,979	36,487,854	5,305,125	14.54%
Restricted	7,506,475	8,833,717	(1,327,242)	-15.02%
Unrestricted	(40,047,537)	(53,936,781)	13,889,244	(25.75%)
Total Net Position	\$ 9,251,917	\$ (8,615,210)	\$ 17,867,127	(207.39%)

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Total net position of the District's governmental activities increased by \$17,867,127 for the fiscal year ended June 30, 2022 which was a \$26,482,337 increase from the \$8,615,210 deficit experienced in 2020-2021. The majority of the increase is represented by a decrease in the District's net pension and postemployment benefit liabilities and deferred inflows for pensions and postemployment benefits compared to that of the deferred outflows for pensions and other postemployment benefits over the same groups of accounts from June 30, 2021.

Table 2
Changes in Net Position

	Total		Total	Total
	Governmental Activities		Dollar	Percentage
	2022	2021	Change	Change
			2021-2022	2021-2022
Revenues				
Program Revenues				
Charges for Services	\$ 366,460	\$ 352,285	\$ 14,175	4.02%
Operating Grants & Contributions	9,476,103	10,035,205	(559,102)	(5.57%)
Capital Grants & Contributions	1,560,861	1,797,281	(236,420)	(13.15%)
General Revenues				
Property Taxes	12,620,259	12,674,221	(53,962)	-0.43%
State Revenue	19,902,866	17,556,721	2,346,145	13.36%
Miscellaneous	397,589	126,325	271,264	214.74%
Interest Income	77,807	55,588	22,219	39.97%
Total Revenues	44,401,945	42,597,626	1,804,319	4.24%
Expenses				
Instruction	12,789,091	17,233,192	(4,444,101)	(25.79%)
Supporting Services	11,089,551	12,806,868	(1,717,317)	(13.41%)
Food Services	1,690,390	1,621,455	68,935	4.25%
Interest	965,786	787,105	178,681	22.70%
Total Expenses	26,534,818	32,448,620	(5,913,802)	(18.23%)
 Change In Net Position	 \$ 17,867,127	 \$ 10,149,006	 \$ 7,718,121	 76.05%

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Governmental Activities

The Statement of Activities on page 18 shows the cost of program services and the charges for services and grants offsetting those services. Table 3 (Net Cost of Services) extracts information from the Statement of Activities and compares the net cost of services from one year to the next. It identifies the cost (surplus) of those services supported by tax revenue and unrestricted state revenue.

Table 3
Net Cost Of Services

	2022	2021	Total Dollar Change	Total Percent Change
Instruction	\$ (6,946,447)	\$ (10,058,176)	\$ 3,111,729	30.94%
Support Services	(7,777,267)	(9,802,105)	2,024,838	20.66%
Food Services	558,106	383,537	174,569	(45.52%)
Interest on Long-Term Debt	(965,786)	(787,105)	(178,681)	(22.70%)
Total Expenses	\$ (15,131,394)	\$ (20,263,849)	\$ 5,132,455	25.33%

Changes in Fund Balance 2022 to 2021

The following tables (4 through 9) demonstrate a comparison in the changes in fund balances from the 2021 fiscal year to the current 2022 fiscal year through a side by side combining statement of revenues, expenditures and changes in fund balance. The departments compared compose the Combined General fund which consists of the General, Mill Levy, Daycare, Capital Reserve, Insurance, and Preschool departments. These results are reported on pages 62 and 63.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2022 to 2021 (continued)

Table 4: General Department

	2022	2021	Total Dollar Change	Total Percent Change
Revenues:				
Property Taxes	\$ 8,375,628	\$ 7,933,226	\$ 442,402	5.58%
Specific Ownership Taxes	970,753	1,053,129	(82,376)	(7.82%)
Intergovernmental	5,195,316	6,660,091	(1,464,775)	(21.99%)
State Equalization	19,902,866	17,556,721	2,346,145	13.36%
Other	130,160	64,662	65,498	101.29%
Total Revenues	<u>34,574,723</u>	<u>33,267,829</u>	<u>1,306,894</u>	<u>3.93%</u>
Expenditures:				
Salaries	19,553,213	17,685,261	1,867,952	10.56%
Benefits	7,601,184	6,927,656	673,528	9.72%
Purchased Services	1,754,080	1,471,771	282,309	19.18%
Supplies/Materials	1,659,788	2,030,654	(370,866)	(18.26%)
Capital Outlay	820,265	618,497	201,768	32.62%
Other (net of indirect cost reimbursement)	424,617	321,988	102,629	31.87%
Total Expenditures	<u>31,813,147</u>	<u>29,055,827</u>	<u>2,757,320</u>	<u>9.49%</u>
Excess of Revenues over Expenditures	2,761,576	4,212,002	(1,450,426)	(34.44%)
Allocations and Transfers	<u>(1,961,509)</u>	<u>(1,901,944)</u>	<u>(59,565)</u>	<u>3.13%</u>
Net Change in Fund Balances	<u>\$ 800,067</u>	<u>\$ 2,310,058</u>	<u>\$ (1,509,991)</u>	<u>(65.37%)</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2022 to 2021 (continued)

Table 5: Mill Levy Department

	2022	2021	Total Dollar Change	Total Percent Change
Revenues:				
Property Taxes	\$ 549,871	\$ 551,756	\$ (1,885)	(0.34%)
Other	2,786	2,139	647	30.25%
Total Revenues	<u>552,657</u>	<u>553,895</u>	<u>(1,238)</u>	<u>(0.22%)</u>
Expenditures:				
Instruction & Supporting Services	475,061	381,674	93,387	24.47%
Capital Outlay	211,054	128,335	82,719	64.46%
Total Expenditures	<u>686,115</u>	<u>510,009</u>	<u>176,106</u>	<u>34.53%</u>
Net Change in Fund Balances	<u>\$ (133,458)</u>	<u>\$ 43,886</u>	<u>\$ (177,344)</u>	<u>(404.10%)</u>

Table 6: Daycare Department

	2022	2021	Total Dollar Change	Total Percent Change
Revenues:				
Local Sources	\$ 248,828	\$ 323,790	\$ (74,962)	(23.15%)
Other	105,222	45,580	59,642	130.85%
Total Revenues	<u>354,050</u>	<u>369,370</u>	<u>(15,320)</u>	<u>(4.15%)</u>
Expenditures:				
Supporting Services	544,299	331,334	212,965	64.28%
Capital Outlay	-	5,319	(5,319)	(100.00%)
Total Expenditures	<u>544,299</u>	<u>336,653</u>		
Net Change in Fund Balances	<u>\$ (190,249)</u>	<u>\$ 32,717</u>	<u>\$ (222,966)</u>	<u>(681.50%)</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2022 to 2021 (continued)

Table 7: Capital Reserve Department

	2022	2021	Dollar Change	Percent Change
Revenues:				
Intergovernmental	\$ 27,812	\$ 32,641	\$ (4,829)	(14.79%)
Other	4,003	36,471	(32,468)	(89.02%)
Total Revenues	31,815	69,112	(37,297)	(53.97%)
Expenditures:				
Noncapital Outlay	89,286	136,819	(47,533)	(34.74%)
Capital Outlay	552,966	93,193	459,773	493.36%
Total Expenditures	642,252	230,012	412,240	179.23%
Excess of Expenditures over Revenues	(610,437)	(160,900)	(449,537)	279.39%
Allocations and Transfers	519,000	519,000	-	0.00%
Net Change in Fund Balances	\$ (91,437)	\$ 358,100	\$ (449,537)	(125.53%)

Table 8: Insurance Department

	2022	2021	Dollar Change	Percent Change
Revenues:				
Other Revenue		\$ 10,679	\$ (10,679)	100.00%
Investment Earnings	78	31	47	151.61%
Total Revenues	78	10,710	(10,632)	(99.27%)
Expenditures:				
Supporting Services	798,176	894,994	(96,818)	(10.82%)
Capital Outlay			-	100.00%
Total Expenditures	798,176	894,994	(96,818)	(10.82%)
Excess of Revenues over Expenditures	(798,098)	(884,284)	86,186	(9.75%)
Other Financing Sources				
Insurance Proceeds	3,376	2,446	930	38.02%
Allocations and Transfers	800,000	800,000	-	0.00%
Total Other Financing Sources	803,376	802,446	930	0.12%
Net Change in Fund Balances	\$ 5,278	\$ (81,838)	\$ 87,116	(106.45%)

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2022 to 2021 (continued)

Table 9: Preschool Department

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Interest Income	\$ 161	\$ 12	\$ 149	1241.67%
Intergovernmental	66,865	-	66,865	100.00%
Total Revenues	<u>67,026</u>	<u>12</u>	<u>67,014</u>	<u>558450.00%</u>
Expenditures:				
Instruction	542,900	533,643	9,257	1.73%
Supporting Services	28,982	21,296	7,686	36.09%
Capital Outlay	5,228	295	4,933	1672.20%
Total Expenditures	<u>577,110</u>	<u>555,234</u>	<u>21,876</u>	<u>3.94%</u>
Excess of Expenditures over Revenues	(510,084)	(555,222)	45,138	(8.13%)
Allocations and Transfers	<u>592,920</u>	<u>535,263</u>	<u>57,657</u>	<u>10.77%</u>
Net Change in Fund Balances	<u>\$ 82,836</u>	<u>\$ (19,959)</u>	<u>\$ 102,795</u>	<u>(515.03%)</u>

The overall change in the six departments of the General Fund was a \$473,037 increase in fund balance. The General Department (Table 4) reflected an increase in total program funding which consisted of a \$2,346,145 increase in state equalization and a \$358,141 increase in property and specific ownership tax. Intergovernmental revenue reflected a decrease of \$1,335,750. The overall increased funding along with an increase in expenditures of \$3,478,370 created an increase in ending fund balance.

The Preschool Department (Table 9) reflected an increase in instructional salaries and related benefits . The Program had an increase in allocations which directly correlates to the increased number of preschool students enrolled under the CPP program.

Financial Analysis of the District's Funds

Table 10
Governmental Fund Balances

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
General	\$ 12,996,843	\$ 12,523,807	\$ 473,036	3.78%
Federal Programs	303,302	273,688	29,614	10.82%
Bond Redemption	2,604,422	2,905,459	(301,037)	(10.36%)
Building Fund	9,142,858	3,580,005	5,562,853	155.39%
Non-Major Funds	<u>1,649,269</u>	<u>1,345,260</u>	<u>304,009</u>	<u>22.60%</u>
Total	<u>\$ 26,696,694</u>	<u>\$ 20,628,219</u>	<u>\$ 6,068,475</u>	<u>29.42%</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The material change from above was generated from the General Fund, Building Fund and the Food Services Fund with fund balance increases of \$6,317,025.

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a modified accrual basis. The most significant budgeted fund is the General Fund.

The District's General Fund 2021-2022 revenue was \$1,223,074 higher than the final budgeted projections excluding inter-department allocations. Total General Fund actual expenditures and transfers were \$773,615 more than the final budgeted expenditures. The budgeted savings were mainly accounted for in the General Fund with increased Intergovernmental payments and property taxes.

Financial Analysis of the District's Funds

Of the total expenditures, Instructional expenditures were 5.46% (\$1,006,057) higher than the final budget. Budgeted salary and benefits are estimated at full employment and actual salary and benefits reflects the changes in employment throughout the year which normally results in salary savings. The District incurred actual benefit costs lower than the final budget amounts by \$230,385.

Supporting Services and transfers had a budget savings which amounted to \$232,442. The majority of those savings were in the other support category where the capital expenditures in the General, Mill Levy and Capital Reserve Departments were less than the final budgeted amount which represents the earmarking of capital projects not completed during the year. In addition, purchased services were less than budgeted.

45.27% of the District's total program funding comes from State equalization funding (\$19,902,866), which is a \$2,346,145 increase from 2020-2021.

Capital Assets and Debt Administration

Table 11
Capital Assets at June 30
Net of Depreciation

	Governmental Activities 2022	Governmental Activities 2021
Land	\$ 322,557	\$ 322,557
Construction in Progress	96,863	3,319,213
Buildings and improvements	96,478,915	89,854,263
Furniture and equipment	6,160,590	5,802,108
Vehicles	3,248,709	2,942,947
Total	106,307,634	102,241,088
Less accumulated depreciation	(44,009,880)	(41,217,426)
Totals	<u>\$ 62,297,754</u>	<u>\$ 61,023,662</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Capital Assets and Debt Administration (continued)

The District had a net change of \$1,274,094 in capital assets in 2021-2022 which included \$96,863 of construction in process at June 30, 2022. There was an increase in the buildings and improvements total of \$6,624,652 resulting from renovation to the High School being completed net of current year depreciation of \$4,496,444.

Long-Term Debt

At June 30, 2022 the District had \$30,058,629 in long-term debt obligations. The bulk of this total is debt service on general obligation bonds issued by the District to finance its construction and modernization projects on District buildings.

The remaining \$410,996 in long-term obligations includes compensated absences recorded by the District at year end which was a \$25,479 decrease from the prior year. The District entered into a \$3,000,000 capital lease in 2019-2020 to repay the Department of Health and Human Services for its interest in the Head Start wing addition constructed in 2018-2019. The District entered into an additional capital lease in 2020-2021 in the amount of \$4,100,000 to fund the portion of High School renovations not funded by the Colorado BEST grant. In February 2022, the District issued \$9,945,000 (Series 2022A) of general obligation bonds. The bonds were used to provide funds to expand, renovate and improve the Legion Field Complex as approved by District voters and prepay the District's lease-purchase agreement dated April 14, 2021. The bonds mature on December 1 commencing December 1, 2030 with interest payable semiannually on June 1 and December 1 commencing on June 1, 2022. The last payment date of the bonds is December 1, 2040. The bonds are subject to early optional redemption on and after December 1, 2031 at par. The bonds have a net effective interest rate of 2.86%.

In February 2022, the District issued \$3,005,000 (Series 2022B) of taxable general obligation bonds. The bonds were used to prepay the District's lease-purchase agreement dated December 19, 2019. The bonds mature on December 1 commencing December 1, 2022 with interest payable semiannually on June 1 and December 1 commencing on June 1, 2022. The last payment date of the bonds is December 1, 2029. The bonds are not subject to early optional redemption. The bonds have a net effective interest rate of 2.21%. The High School renovation capital lease cannot be prepaid for five years and is now in escrow in the bond fund with principal and interest being paid from bond proceeds until it can be paid in full.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Long-Term Debt (continued)

A summary of the District's long-term debt is as follows:

	Table 12			
	Long-Term Debt			
	<u>Year End</u>			
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Percent Change</u>
General Obligation Bonds	\$ 27,345,000	\$ 16,940,000	\$ 10,405,000	61.42%
Capital Lease Obligation	-	6,989,000	(6,989,000)	(100.00%)
Bond Premium	2,302,633	637,856	1,664,777	261.00%
Compensated Absences	410,996	436,475	(25,479)	(5.84%)
Total	<u>\$ 30,058,629</u>	<u>\$ 25,003,331</u>	<u>\$ 5,055,298</u>	<u>20.22%</u>

Further information for capital assets and long-term debt is available in notes 7, 8 and 9 in the financial statements.

Factors Bearing on the District's Future

The Colorado Department of Education has made preliminary projections that there will be some incremental funding for 2022-2023 compared to 2021-2022.

The District's contribution to the PERA retirement plan were 21.4% for 2021-2022. Future increases are tied to the ongoing funding status of the retirement plan. The District has changed its health insurance to CEBT and are guaranteed no more than a 10% increase for each of the next two years. The rates are less than we would have paid in the BEST health insurance plan.

With level or minimal funding increases from the State and rising costs, the District will continue to address cost containments to ensure that the District maintains adequate General Fund reserves.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Morgan County School District Re-3, 715 West Platte Ave., Fort Morgan, CO 80701.

Morgan County School District Re-3
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and Investments	\$ 16,444,412
Restricted Investments	12,537,033
Receivable from Treasurer	162,849
Property Tax Receivable	559,229
Accounts Receivable	386,302
Intergovernmental Receivable	1,625,245
Prepaid Expenses	310,868
Inventory	137,762
Capital Assets	
Land	322,557
Construction In Progress	96,863
Other Capital Assets - Net of Accumulated Depreciation	61,878,334
Total Assets	94,461,454
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefit Related Amounts	280,381
Pensions Related Amounts	9,151,263
Total Deferred Outflows of Resources	9,431,644
LIABILITIES	
Accounts Payable	428,874
Accrued Salaries and Benefits	4,109,847
Hospital Escrow	14,123
Accrued Interest Payable	72,791
Insurance escrow	89,037
Unearned Revenue	537,795
Noncurrent Liabilities	
Due Within One Year	2,146,574
Due in More Than One Year	27,912,055
Net Pension Liability	36,725,202
Net Other Postemployment Benefit Liability	1,776,775
Total Liabilities	73,813,073
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefit Related Amounts	799,281
Pensions Related Amounts	20,028,827
Total Deferred Inflows of Resources	20,828,108
NET POSITION	
Net Investment in Capital Assets	41,792,979
Restricted for	
Emergency Reserve (TABOR)	1,500,000
Capital and Maintenance	3,248,295
Debt Service	2,604,422
Preschool	153,758
Unrestricted	(40,047,537)
Total Net Position (Deficit)	\$ 9,251,917

The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 12,789,091	\$ 43,804	\$ 4,237,979	\$ 1,560,861	\$ (6,946,447)
Supporting Services	11,089,551	296,819	3,015,465	-	(7,777,267)
Food Services	1,690,390	25,837	2,222,659	-	558,106
Interest on Long-Term Debt	965,786	-	-	-	(965,786)
Total Governmental Activities	<u>\$ 26,534,818</u>	<u>\$ 366,460</u>	<u>\$ 9,476,103</u>	<u>\$ 1,560,861</u>	<u>(15,131,394)</u>
GENERAL REVENUES					
Property and Specific Ownership Taxes					12,620,259
State Equalization					19,902,866
Miscellaneous					397,589
Interest Income					77,807
TOTAL GENERAL REVENUES					<u>32,998,521</u>
CHANGE IN NET POSITION					17,867,127
NET POSITION - BEGINNING OF YEAR (DEFICIT)					<u>(8,615,210)</u>
NET POSITION - END OF YEAR					<u>\$ 9,251,917</u>

The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3
Balance Sheet – Governmental Funds
June 30, 2022

	General	Federal Programs Fund	Bond Redemption Fund	Building Fund	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 14,115,767	\$ 740,178	\$ -	\$ -	\$ 1,588,467	\$ 16,444,412
Restricted Investments	-	-	2,521,908	10,015,125	-	12,537,033
Receivable from Treasurer	146,012	-	16,837	-	-	162,849
Property and S.O. Tax Receivable	443,048	-	116,181	-	-	559,229
Accounts Receivable	149,249	300	-	-	236,753	386,302
Intergovernmental Receivable	1,390,437	234,808	-	-	-	1,625,245
Interfund Receivable	1,274,441	195,042	19,425	41,240	7,875	1,538,023
Prepaid Expenditures	230,812	17,245	-	47,324	15,487	310,868
Inventory	78,780	-	-	-	58,982	137,762
Total Assets	\$ 17,828,546	\$ 1,187,573	\$ 2,674,351	\$ 10,103,689	\$ 1,907,564	\$ 33,701,723
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 404,628	\$ 4,784	\$ -	\$ 11,025	\$ 8,437	\$ 428,874
Hospital Escrow	14,123	-	-	-	-	14,123
Accrued Salaries and Benefits	3,783,526	221,265	-	-	105,056	4,109,847
Interfund Payable	268,870	263,582	-	860,769	144,802	1,538,023
Unearned Revenue	143,155	394,640	-	-	-	537,795
Insurance escrow	-	-	-	89,037	-	89,037
Total Liabilities	4,614,302	884,271	-	960,831	258,295	6,717,699
Deferred Inflows of Resources:						
Taxes	217,401	-	69,929	-	-	287,330
Total Deferred Inflows of Resources	217,401	-	69,929	-	-	287,330
Fund Balances:						
Nonspendable						
Inventory	78,779	-	-	-	58,982	137,761
Prepaid Expenditures	36,755	-	-	-	7,874	44,629
Restricted						
Emergency Reserve (TABOR)	1,500,000	-	-	-	-	1,500,000
Mill Levy - Capital and Maintenance	643,873	-	-	-	-	643,873
Capital Construction	-	-	2,604,422	9,142,858	-	11,747,280
Preschool	153,758	-	-	-	-	153,758
Assigned						
Activity Funds	-	-	-	-	652,164	652,164
Capital Projects/Replacements	746,177	-	-	-	928,172	1,674,349
Food Service	-	-	-	-	2,077	2,077
District Grant Funding Set Aside	-	303,302	-	-	-	303,302
Unassigned	9,837,501	-	-	-	-	9,837,501
Total Fund Balances	12,996,843	303,302	2,604,422	9,142,858	1,649,269	26,696,694
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,828,546	\$ 1,187,573	\$ 2,674,351	\$ 10,103,689	\$ 1,907,564	\$ 33,701,723

The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the statement of net position are difference because:

Total fund balances	\$ 26,696,694
Capital assets used in governmental activities are not financial resources and, therefore, are not reported	62,297,754
Certain long-term assets, including property taxes and grants receivable, are not available to pay current year expenditures and, therefore, are deferred in the funds.	
Taxes	287,330
Long-term liabilities and related items are not due and payable in the current period and therefore are not reported	
Compensated absences	(410,996)
Bonds payable	(27,345,000)
Bond premium	(2,302,633)
Accrued Interest	(72,791)
Net pension liability and related deferrals	(47,602,766)
OPEB liability and related deferrals	(2,295,675)
	<hr/>
Total Net position of governmental activities	<u><u>\$ 9,251,917</u></u>

The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Federal Programs Fund	Bond Redemption Fund	Building Fund	Nonmajor Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 8,925,499	\$ -	\$ 2,862,139	\$ -	\$ -	\$ 11,787,638
Specific Ownership Taxes	970,753	-	-	-	-	970,753
Intergovernmental	5,390,138	1,635,883	-	-	2,220,417	9,246,438
State Equalization	19,902,866	-	-	-	-	19,902,866
Interest Income	43,106	1,569	8,128	23,346	1,658	77,807
Other	50,212	-	21	934,569	545,893	1,530,695
Local Sources	297,776	73,664	-	-	22,773	394,213
Total Revenues	35,580,350	1,711,116	2,870,288	957,915	2,790,741	43,910,410
Expenditures:						
Current						
Instruction	19,366,586	1,024,695	-	-	-	20,391,281
Supporting Services	13,640,131	660,484	6,000	2,600	476,616	14,785,831
Food Services	-	-	-	-	1,993,506	1,993,506
Debt Service						
Principal	275,000	-	2,545,000	3,954,578	-	6,774,578
Interest	100,584	-	620,325	-	-	720,909
Non Capital Outlay	817,293	39,892	-	-	10,904	868,089
Capital Outlay	861,507	6,020	-	3,112,462	5,706	3,985,695
Total Expenditures	35,061,101	1,731,091	3,171,325	7,069,640	2,486,732	49,519,889
Excess (Deficiency) of Revenues over Expenditures	519,249	(19,975)	(301,037)	(6,111,725)	304,009	(5,609,479)
Other Financing Sources (Uses):						
Insurance Proceeds	3,376	-	-	-	-	3,376
Bond Proceeds and Premium	-	-	-	14,820,910	-	14,820,910
Payment to Refunded Capital Lease Escrow Agent	-	-	-	(2,759,422)	-	(2,759,422)
Bond Issuance Costs	-	-	-	(386,910)	-	(386,910)
Transfers In	-	49,589	-	-	-	49,589
Transfers Out	(49,589)	-	-	-	-	(49,589)
Total Other Financing Sources (Uses)	(46,213)	49,589	-	11,674,578	-	11,677,954
Net Change in Fund Balances	473,036	29,614	(301,037)	5,562,853	304,009	6,068,475
Fund Balances - Beginning of the Year	12,523,807	273,688	2,905,459	3,580,005	1,345,260	20,628,219
Fund Balances - End of the Year	\$ 12,996,843	\$ 303,302	\$ 2,604,422	9,142,858	\$ 1,649,269	\$ 26,696,694

The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2022

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds. \$ 6,068,475

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. In addition, the net gain or loss resulting from the sale or disposal of assets is reflected as income or expenses in the statement of activities but that gain or loss is not recorded on the governmental fund financial statements. Further, the proceeds from the sale of those same capital assets are recorded as revenues in the fund statements but not in the statement of activities.

Depreciation expense	(2,867,251)	
Net capital outlays	4,141,344	1,274,093

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items as follows:

Amortization of bond premium	206,133	
Amortization of deferred loss on refunding bonds	(31,048)	175,085

Governmental funds report bond proceeds as other financing resources. Repayments of bond principal and repayments of other long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not effect the statement of activities. The following summarizes the District's bond and other long-term debt transactions for the fiscal year:

Proceeds from bond issuance	(12,950,000)	
Premium on bond issuance	(1,870,910)	
Repayment of finance lease	6,989,000	
Repayment of bond principal	2,545,000	

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change in accrued interest payable.

(33,050)

In the statement of activities, certain operating expenses - compensated absences (sick leave), net pension liability and OPEB, and deferred inflows and outflows are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). These amounts represent the net effect of compensated absences payable, pension and OPEB liability and related deferred inflows and outflows reported on the statement of activities.

Compensated absences	25,479	
Change in the net pension liability and deferreds	14,942,434	
Change in other postemployment benefit related and deferreds	213,363	15,181,276

Some revenues reported in the statement of activities do not provide current financial resources, and are therefore deferred in governmental funds.

Transfer pupil fund to governmental funds	626,290	
Change in property taxes accruals	(138,132)	

Change in net position of governmental activities.	\$ 17,867,127	
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The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3
Statement of Fiduciary Net Position
June 30, 2022

	Private-Purpose Trust Fund
	<u> </u>
ASSETS	
Cash and Investments	\$ 140,026
Total Assets	<u>140,026</u>
NET POSITION	
Held in Trust for Scholarships/Students	51,616
Held in Trust for Endowments	<u>88,410</u>
Total Net Position	<u>\$ 140,026</u>

The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2022

	Private-Purpose Trust Fund
	<hr/>
Additions:	
Contributions and Donations	\$ 226,750
Interest Income	623
Total Additions	<hr/> 227,373 <hr/>
Deductions:	
Scholarship Awards	<hr/> 226,250
Total Deductions	<hr/> 226,250 <hr/>
Change in Net Position	1,123
Net Position - Beginning of the Year	<hr/> 138,903
Net Position - End of the Year	<hr/> \$ 140,026 <hr/>

The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The financial statements of Morgan County School District Re-3 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant District accounting policies are described below.

Reporting Entity – The financial reporting entity consists of the District, organizations for which the District is financially accountable and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District.

Based upon the application of this criteria, no additional organizations are includable within the District's reporting entity.

Fund Accounting – The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into two categories: Governmental and Fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), the servicing of general long-term debt (debt service funds), and the reporting of major capital construction projects, (capital projects funds). The following are the District's major governmental funds:

General Fund – The General Fund is the District's general operating fund and is used to account for all financial transactions except those accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended. Primary expenditures are for instruction and supporting services (including students, instructional staff, general and school administration, operations and maintenance, student transportation, business supporting services, and central supporting services).

Federal Programs Fund – This fund maintains separate accounting for programs funded by federal, state, and local grants.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Bond Redemption Fund – The District has one debt service fund, the Bond Redemption Fund. This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The fund's primary revenue source is local property taxes levied specifically for debt service.

Building Fund – This fund was created to account for the proceeds from the District's voter-approved 2014 and 2015 bond issues and the related construction expenditures for major infrastructure improvements at three of the District's elementary schools, secure access improvements at all District schools, and the construction of a new Middle School.

Fiduciary Fund – Fiduciary fund reporting focuses on net position and changes in net position. This fund accounts for resources received and held by the District in a fiduciary capacity. The fund included in this category is:

Private-Purpose Trust Fund – This fund accounts for resources held by the District that can be expended as outlined in the original documents creating the fund. The fund expenses are used for student scholarships.

Basis of Presentation

District-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds that are fiduciary in nature. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities are normally supported by taxes and intergovernmental revenues.

The district-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the district-wide statements and governmental funds.

Certain eliminations have been made in regard to interfund activities, payables and receivables. All internal balances in the statement of net position and the statement of activities have been eliminated.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District (including all taxes), with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The fiduciary funds are reported using the economic resources measurement focus. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basis of Accounting – Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end except for federal and state grants for which a one hundred and fifty day period is used.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied (see Note 3). State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest, tuition, and student fees collected within sixty days after year-end.

Unearned Revenue – Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant money is received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported as an expense/expenditure with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Receivables/Payables – During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables or interfund payables on the fund financial statements.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the district-wide financial statements as internal balances.

Inventories – Food Services Fund purchased inventories are stated at cost as determined by the first-in, first-out (FIFO) method. Commodity inventories are stated at the USDA's assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when used. The federal government donates surplus commodities to supplement the National School Lunch Program. Commodity contributions used by the District are recorded as revenues at the date of their consumption. Inventory in the General Fund, valued at cost as determined by the FIFO method, consists of expendable supplies held for consumption.

Capital Assets – Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at the acquisition value on the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

All reported capital assets are depreciated (excluding land, water rights, and construction in progress). Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	7-50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 years

Accrued Liabilities and Long-Term Obligations – All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Bond Premiums and Issuance Costs – In the government-wide financial statements, bond premiums are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as current expenses. Losses from bond refunding are deferred and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The other deferred outflows are shown as pension and other post-employment benefit (OPEB) related amounts and includes items related to the District's portion of the Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the difference between expected and actual experience, any changes of assumptions or other inputs, and the net difference between projected and actual investment earnings on pension and OPEB plan investments.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items (property taxes and grants) which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred inflows of resources are reported in the governmental funds balance sheet for property taxes and grants not as available as current financial resources.

These deferred inflows result from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension and OPEB plan investments.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions and Post-employment Benefits Other Than Pensions (OPEB)

Pensions – The District participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Other Post-employment Benefits (OPEB) – The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Fund Balances – Fund balances are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amount in the fund can be spent. Fund balances are classified into one of five categories: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance represents assets that will never be converted to cash. Restricted fund balances reflect resources that are subject to externally enforceable legal restrictions.

The Board of Education, the Superintendent, and the Chief Financial Officer have the authority given to them by Board resolution to assign amounts for specific purposes. Assigned fund balance displays the District's intended use of these resources. Unassigned fund balance for the general fund represents the net resources in excess of the prior classifications. It is the District's intent to use restricted amounts first then committed, assigned and unassigned fund balances sequentially.

Net Position – Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Net position is reported as restricted when there are constraints imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Interfund Transactions – Quasi-external transactions are accounted for as revenue or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Compensated Absences/Early Retirement Program – Leave for District employees includes both vacation and sick leave. Leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued vacation leave not to exceed 40 days of entitlement, as set forth by the agreements. Sick leave is paid to employees who have accumulated sick leave and who have been with the District for more than 20 years or 9 years for administrators, at a rate determined by agreement.

These compensated absences are recognized as expenditures when paid in the governmental funds. A long-term liability has been reported in the government wide financial statements for the accrued compensated absences and early retirement program.

New Accounting Pronouncements – During the fiscal year ended June 30, 2022, the District implemented the following GASB pronouncement:

GASB Statement 87, Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provision of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an asset. Lessees will be required to recognize a lease liability and an intangible right to use an asset and lessors will be required to recognize a lease receivable and a deferred inflow of resources enhancing the relevance and consistence of information about a governments leasing activities. The District did not have any leases meeting the criteria to be recorded under this statement.

GASB Statement 89, Accounting for Interest Costs Incurred before the End of a Construction Period. The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. As a result, interest incurred before the end of a construction period will not be included in the historical cost of a capital asset in the government-wide statements. GASB Statement 89 was implemented by the District for the fiscal year ended June 30, 2022. There is no effect on the District's financial statements as a result of this statement.

Morgan County School District Re-3

Notes to the Financial Statements

Note 2 – Cash and Investments

Cash and Deposits

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. However, the Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulations to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name.

The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits. At June 30, 2022, the District had bank deposits of \$3,539,108 collateralized with securities held by the financial institutions agents but not in the District's name.

Investments

Interest Rate Risk – The District has an investment goal that limits investment maturities to five years or less, as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statutes also limit investment maturities to five years or less. All investments are carried at fair value. The District's Policy on investments lists the following objectives:

- Safety of Funds
- Funds are available when needed
- Earn a market rate
- Invest according to state law
- Invest locally if possible

Credit Risk – Colorado State Statutes authorize the District to invest in obligations of the U. S. Treasury and its agencies. In addition, the District can invest in obligation of instrumentalities, commercial paper, repurchase agreements, money market funds, and local government investment pools with specific ratings.

State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency. The COLOTRUST investment is rated AAAM by Standard and Poor's. CSAFE investment is rated AAAM by Standard and Poor's. The Federated Government Obligation Money Market Fund is rated AAAM by Standard and Poor's.

Local government investment pools include the Colorado Local Government Liquid Asset Trust (COLOTRUST) and the Colorado Surplus Asset Fund Trust (CSAFE). The pools operate in conformity with the Securities and Exchange Commission's Rule 2a7, with each share valued at \$1.00. COLOTRUST and CSAFE are regulated by the State of Colorado, Department of Regulatory Agencies, Division of Securities, which establishes policies for and reviews the operation of local government investment pools in the state.

Morgan County School District Re-3

Notes to the Financial Statements

Note 2 – Cash and Investments (continued)

Fair Value Measurements – At June 30, 2022, the District's investments in the local government investment pools and money market fund were reported at the net asset value per share.

The District invested in COLOTRUST and CSAFE throughout the fiscal year. At June 30, 2022, the District had the following investments:

Investments	Maturities	Total
COLOTRUST	Less than one year	\$ 11,940,115
CSAFE	Less than one year	10,619,802
Money Market Fund	Less than one year	<u>2,521,908</u>
Total		<u><u>\$ 25,081,825</u></u>

The cash held in the money market fund \$2,521,908 is required to be used for the payment of long term debt (see Note 8).

	Investments	Cash	Total Cash & Investments
Combined General Fund			
General Department	\$ 10,425,435	\$ 1,746,121	\$ 12,171,556
Mill Levy Department	537,794	103,195	640,989
Daycare Department	8,298	58,270	66,368
Capital Reserve Department	1,504	761,604	763,108
Insurance Department	33,089	271,445	304,534
Colorado Preschool Department	1,210	168,002	169,212
Total Combined General Fund	<u>11,007,130</u>	<u>3,108,637</u>	<u>14,115,767</u>
Federal Programs Fund	638,450	101,729	740,179
Bond Redemption Fund	2,521,908	-	2,521,908
Building Fund	10,015,125	-	10,015,125
Food Services Fund	812,747	132,917	945,664
Pupil Activity Fund	86,819	555,983	642,802
Private Purpose Trust Fund	-	140,026	140,026
Total Cash and Investments	<u>25,082,179</u>	<u>4,039,292</u>	<u>29,121,471</u>
Less Cash Held By Third Parties			
General Fund Department			
BEST Health Trust (See Note 15)	<u>-</u>	<u>(642,500)</u>	<u>(642,500)</u>
Total Cash and Investments Held By District	<u><u>\$ 25,082,179</u></u>	<u><u>\$ 3,396,792</u></u>	<u><u>\$ 28,478,971</u></u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 3 – Property Taxes

Property taxes attach as an enforceable lien on January 1, are certified on December 15, and are levied on property the following January 1. They are payable in full by April 30 or are due in two equal installments on February 28 and June 15. Morgan County bills and collects property taxes for all taxing entities within the county. The property tax receipts collected by the county are remitted to the District in the subsequent month.

Note 4 – Interfund Balances and Transactions

The District reports interfund balances between many of its funds. These balances result from a time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and payments between funds occur. On the fund financial statements, interfund receivables and payables as of June 30, 2022 consist of the following:

	Interfund Receivables	Interfund Payables
General Fund		
General Fund Department	\$ 1,198,192	\$ 266,513
Mill Levy Maintenance	4,224	-
Daycare	11,823	750
Capital Reserve	20,773	-
Colorado Preschool Department	39,429	1,606
Total General Fund	<u>1,274,441</u>	<u>268,869</u>
Federal Programs Fund	195,042	263,582
Bond Redemption Fund	19,425	-
Building Fund	41,240	860,770
Food Service Fund	198	144,334
Pupil Activity Fund	7,677	468
Total	<u><u>\$ 1,538,023</u></u>	<u><u>\$ 1,538,023</u></u>

Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the district-wide financial statements as internal balances.

The interfund transfers for the fiscal year ended June 30, 2022 are as follows:

<u>Governmental Funds:</u>	Transfers In	Transfers Out
General Fund	\$ -	\$ 49,589
Federal Programs	\$ 49,589	\$ -

The General Fund transferred funds to the Federal Programs Fund for the benefit of the Gifted and Talented Program.

Morgan County School District Re-3
Notes to the Financial Statements

Note 5 – Capital Assets

For the year ended June 30, 2022, the District charged \$991,184 and \$1,876,067 in depreciation expense to instruction and supporting services, respectively.

Activity of depreciated capital assets for the fiscal year ended June 30, 2022 is as follows:

<u>Governmental Activities</u>	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
Non-depreciable capital assets:				
Land and Water Rights	\$ 322,557	\$ -	\$ -	\$ 322,557
Construction in Progress	3,319,213	58,530	(3,280,880)	96,863
Total Non-depreciable Assets	<u>3,641,770</u>	<u>58,530</u>	<u>(3,280,880)</u>	<u>419,420</u>
Capital Assets Being Depreciated				
Buildings and improvements	89,854,263	6,624,652	-	96,478,915
Furniture and Equipment	5,802,108	358,482	-	6,160,590
Vehicles	2,942,947	380,561	(74,797)	3,248,709
Total Capital Assets Being Depreciated	<u>98,599,318</u>	<u>7,363,695</u>	<u>(74,797)</u>	<u>105,888,214</u>
Less accumulated depreciation for:				
Buildings and improvements	(34,826,514)	(2,418,939)	-	(37,245,453)
Furniture and Equipment	(3,930,074)	(276,738)	-	(4,206,812)
Vehicles	(2,460,838)	(171,574)	74,797	(2,557,615)
Total Accumulated Depreciation	<u>(41,217,426)</u>	<u>(2,867,251)</u>	<u>74,797</u>	<u>(44,009,880)</u>
Total Capital Assets Being Depreciated	<u>57,381,892</u>	<u>4,496,444</u>	<u>-</u>	<u>61,878,334</u>
Net Capital Assets Governmental Activities	<u>\$ 61,023,662</u>	<u>\$ 4,554,974</u>	<u>\$ (3,280,880)</u>	<u>\$ 62,297,754</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 6 – Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements. At June 30, 2022, accrued salaries and benefits were as follows:

General Fund	
General Fund Department	\$ 3,628,315
Mill Levy Department	
Daycare Department	101,399
Colorado Preschool Department	<u>53,812</u>
Total General Fund	3,783,526
Federal Programs Fund	221,265
Food Service Fund	<u>105,056</u>
Total Governmental Activities	<u><u>\$ 4,109,847</u></u>

Note 7 – Changes in Long-Term Debt

The changes in governmental activities long-term debt for the year ended June 30, 2022 are as follows:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Due Within One Year
Bonds Payable	\$ 16,940,000	\$ 12,950,000	\$ 2,545,000	\$ 27,345,000	\$ 1,935,000
Finance Lease Obligation	6,989,000	-	6,989,000	-	-
Bond Premium	637,856	1,870,910	206,133	2,302,633	-
Compensated Absences	<u>436,475</u>	<u>410,996</u>	<u>436,475</u>	<u>410,996</u>	<u>211,574</u>
	<u><u>\$ 25,003,331</u></u>	<u><u>\$ 15,231,906</u></u>	<u><u>\$ 10,176,608</u></u>	30,058,629	<u><u>\$ 2,146,574</u></u>
Less Amount Due Within One Year				<u>2,146,574</u>	
Due in More Than One Year				<u><u>\$ 27,912,055</u></u>	

Compensated absences will be liquidated by the General Fund.

Morgan County School District Re-3

Notes to the Financial Statements

Note 8 – Bonds Payable

Bonds Payable, 2011 Series – In October 2011, the District issued \$6,020,000 (Series 2011) of general obligation refunding bonds. The bonds were used to provide funds to establish an irrevocable trust escrow to advance refund \$6,120,000 of the District's outstanding 2004 general obligation bonds. The bonds mature on December 1, commencing December 1, 2015, with interest payable semiannually on June 1 and December 1, commencing December 1, 2011. The bonds are not subject to early redemption and the final bond matured on December 1, 2021 and was paid off during the year ended June 30, 2022.

Bonds Payable, 2014 Series – In March 2014, the District issued \$7,180,000 in general obligation bonds for the purpose of providing secure entrances at all District schools and infrastructure improvements at three of the District's elementary schools.

The general obligation bonds, series 2014, dated March 5, 2014, mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2014. The bonds mature on December 1, 2026 and are subject to optional call on December 1, 2023 at par plus accrued interest.

The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2022-2023	4.00%	\$ 940,000	\$ 181,850	\$ 1,121,850
2023-2024	4.00%	975,000	145,900	1,120,900
2024-2025	4.00%	1,010,000	106,200	1,116,200
2025-2026	4.00%	1,055,000	64,900	1,119,900
2026-2027	4.00%	1,095,000	21,900	1,116,900
		<u>\$ 5,075,000</u>	<u>\$ 520,750</u>	<u>\$ 5,595,750</u>

Bonds Payable, 2015 Series – In February 2015, the District issued \$11,090,000 in general obligation bonds for the purpose of building a new Middle School. The bond proceeds represented the District's required matching funds for the Colorado Department of Education BEST Capital Construction Grant that the District was awarded in 2014.

Morgan County School District Re-3

Notes to the Financial Statements

Note 8 – Bonds Payable (continued)

The general obligation bonds, series 2015, dated February 12, 2015, mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2014. The bonds mature on December 1, 2034 and are subject to optional call on December 1, 2024 at par plus accrued interest. The bonds were partially refunded with the 2021 Series as noted below.

The General Obligation Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2022-2023	5.00%	\$ 465,000	\$ 61,375	\$ 526,375
2023-2024	5.00%	485,000	37,625	522,625
2024-2025	5.00%	510,000	12,750	522,750
		<u>\$ 1,460,000</u>	<u>\$ 111,750</u>	<u>\$ 1,571,750</u>

Bonds Payable, 2021 Series – In June, 2021 the District issued \$7,960,000 in taxable general obligation refunding bonds to refinance the District's Series 2015 general obligation bonds in the amount of \$6,745,000 which mature from December 1, 2025 to December 1, 2034. The Series 2015 bonds are subject to prior redemption on December 1, 2024. Series 2021 bond proceeds were used to fund an escrow account to pay the principal and interest on the callable Series 2015 bonds up and until the December 1, 2024 call date as well as redeem the remaining Series bonds on December 1, 2024 and pay costs of issuance. The result of the refinancing was a total debt service reduction (considering both principal and interest) of \$620,343.

The Series 2021 taxable general obligation bonds are dated June 10, 2021, mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing on December 1, 2021. The bonds mature on December 1, 2034 and are subject to optional call on December 1, 2032 at a price of par plus accrued interest.

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2022-2023	5%	\$ 150,000	\$ 137,739	\$ 287,739
2023-2024	5%	155,000	137,096	292,096
2024-2025	5%	155,000	136,198	291,198
2025-2026	5%	690,000	132,144	822,144
2026-2034	5%	6,710,000	657,661	7,367,661
		<u>\$ 7,860,000</u>	<u>\$ 1,200,838</u>	<u>\$ 9,060,838</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 8 – Bonds Payable (continued)

On February 1, 2022, the District issued \$9,945,000 and \$3,005,000 in general obligation bond, series 2022A and 2022B, respectively. The bonds were sold with a premium of \$1,870,910 with interest rates ranging from 1.22 to 5.00 percent. The net proceeds of \$14,820,910 was used for the purpose of funding construction updates for the sports complex for the District, paying off the Vectra capital lease and defeasance of the Sterling capital lease, of which \$2,759,482 was placed in an irrevocable escrow account to provide for all future capitalize lease payments. The economic gain of the capital lease refunding was a present value savings of \$11,623.

The general obligation bonds, series 2022A dated February 1, 2022 with payments due on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2022. The bonds mature on December 1, 2040 at par plus accrued interest.

The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2022-2023	5%	\$ -	\$ 412,950	\$ 412,950
2023-2024	5%	-	412,950	412,950
2024-2025	5%	-	412,950	412,950
2025-2026	5%	-	412,950	412,950
2026-2027	5%	-	412,950	412,950
2027-2028	5%	-	412,950	412,950
2028-2029	5%	-	412,950	412,950
2029-2030	5%	-	412,950	412,950
2030-2031	5%	480,000	400,950	880,950
2031-2032	5%	505,000	376,325	881,325
2032-2040	4%	8,960,000	1,888,650	10,848,650
		<u>\$ 9,945,000</u>	<u>\$ 5,969,525</u>	<u>\$ 15,914,525</u>

The general obligation bonds, series 2022B dated February 1, 2022 due on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2022. The bonds mature on December 1, 2029 at par plus accrued interest.

Morgan County School District Re-3

Notes to the Financial Statements

Note 8 – Bonds Payable (continued)

The General Obligation Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2022-2023	1.22%	\$ 380,000	\$ 54,009	\$ 434,009
2023-2024	1.45%	305,000	49,925	354,925
2024-2025	1.73%	310,000	45,817	355,817
2025-2026	2.02%	315,000	40,845	355,845
2026-2027	2.13%	320,000	34,888	354,888
2027-2028	2.32%	450,000	26,863	476,863
2028-2029	2.45%	455,000	16,794	471,794
2029-2030	2.45%	470,000	5,756	475,756
		<u>\$ 3,005,000</u>	<u>\$ 274,897</u>	<u>\$ 3,279,897</u>

Note 9 – Finance Lease Obligations

In the 2017-2018 fiscal year, the District received a Head Start capital construction grant from the Department of Health and Human Services (HHS) for the construction of a new wing addition to the District school known as the Sherman Early Childhood Center. The District finished construction of the wing addition in the fall of 2018. Subsequent to the completion of the addition in the spring of 2019, the regional office of Head Start informed the District that the annual operations Head Start grant for 2019-2020 fiscal year had been awarded to another entity.

Based on that grant awarding decision from Head Start, the Board of Education determined that the District would repay Head Start for the previously awarded and received capital construction grant and thereby release the established and recorded Federal Interest in the Sherman Early Childhood Center.

In December 2019, the District entered into a Site Lease agreement with a lender in the amount of \$3,000,000. The proceeds of the Site Lease were utilized to repay HHS for the previously awarded capital construction grant. The Federal Interest in the Sherman Early Childhood Center as previously recorded was in turn released by HHS.

Simultaneous to the origination of the Site Lease, the District entered into a Lease Purchase Agreement with the same lender for twenty, one-year lease terms subject to annual appropriation by the Board of Education. The annual rental payments under the lease agreement are approximately \$200,000 per year with the interest component of the lease payable on June 1 and December 1 and the principal portion payable on December 1.

The leases were paid off or defeased with the 2022 bond proceeds. See Note 8.

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan

General Information

Plan Description – The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided – The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. State statutes stipulate that no annual increases will occur before July 1, 2020. Thereafter, retirees will receive an annual increase of the lesser of 1.5% or the average consumer price index for the prior calendar year, with certain limitations. The automatic adjustment provision specified in State statutes may raise or lower the aforementioned annual increase for a given year by up to 0.25%.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

Contributions – The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. In addition, in accordance with Title 24, Article 51, Part 414 of the CRS, beginning on July 1, 2018, the State is required to contribute a total of \$225 million to PERA in a manner that is proportionate to the annual payroll of specified divisions of PERA, a portion of which is allocated to the SDTF. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 10.0% of covered salaries. The District's contribution rate for calendar year 2021, and through June 30, 2022, was 20.4% of covered salaries. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 11). The District's contributions to the SDTF for the year ended June 30, 2022, were \$3,835,152, equal to the required contributions.

Effective July 1, 2021, employee and employer contribution rates are 10.5% and 20.9%, respectively. As provided in the automatic adjustment provision specified in State statutes, member and employer contributions will adjust annually on July 1, to ensure that PERA is able to eliminate its unfunded liability. Both member and employer contribution rates can increase (or decrease) each year, not to exceed an additional 2%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability. The amount recognized by the District as its proportionate share of the net pension liability were as follows:

District's proportionate share of the net pension liability	\$ 36,725,202
State's proportionate share of the net pension liability associated with the District	<u>4,210,075</u>
Total	<u><u>\$ 40,935,277</u></u>

At June 30, 2022, the District reported a net pension liability of \$36,725,202 representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total pension liability to December 31, 2021.

The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2021, the District's proportion was 0.363%, which was a decrease of 0.048% from its proportion measured at December 31, 2020.

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado.

For the year ended June 30, 2022, the District recognized pension income of \$10,881,480 and income of \$1,039,108 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,405,988	\$ -
Changes of assumptions and other inputs	2,803,695	-
Net difference between projected and actual earnings on plan investments	-	13,807,574
Changes in proportion	2,413,897	6,221,253
Contributions subsequent to the measurement date	<u>2,527,683</u>	<u>-</u>
Total	<u>\$ 9,151,263</u>	<u>\$ 20,028,827</u>

District contributions subsequent to the measurement date of \$2,527,683 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2023	\$ (1,762,932)
2024	(7,465,908)
2025	(2,500,454)
2026	<u>(1,675,953)</u>
Total	<u>\$ (13,405,247)</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

Actuarial Assumptions – The actuarial valuation as of December 31, 202, determined the total pension liability using the following actuarial assumptions and other inputs. The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2020, to December 31, 2021:

	<u>Assumptions</u>
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	4% - 11%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	1%
Hired after 12/31/06	AIR

Healthy mortality assumptions for active members were based on the Pub2010 Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 99 percent of the PubNS-2010 Disabled Retiree Mortality Table.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019 to December 31, 2020.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 20, 2020, meeting, to be effective December 31, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rates of Return</u>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
	<hr/>	
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the rates specified in State statutes and that covered payroll will increase annually at 3.0%. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, with certain limitations. In addition, the projection assumes the State will provide an annual direct distribution of \$225 million until the PERA pension plans are fully funded. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 54,056,494	\$ 36,725,202	\$ 22,262,886

Pension Plan Fiduciary Net Position – Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 11 – Post-employment Healthcare Benefits

General Information

Plan Description – All employees of the District are eligible to receive post-employment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided – The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Morgan County School District Re-3

Notes to the Financial Statements

Note 11 – Post-employment Healthcare Benefits (continued)

Contributions – As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (see Note 10) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2022 was \$207,573, equal to the required amount.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the District reported a net OPEB liability of \$1,776,775, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020.

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2020, relative to the contributions of all participating employers. At December 31, 2021, the District's proportion was 0.206%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$1,671. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,712	\$ 421,299
Changes of assumptions and other inputs	36,788	96,378
Net difference between projected and actual earnings on plan investments	-	109,979
Changes in proportion	104,744	171,625
Contributions subsequent to the measurement date	136,137	-
Total	<u>\$ 280,381</u>	<u>\$ 799,281</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 11 – Post-employment Healthcare Benefits (continued)

District contributions subsequent to the measurement date of \$136,137 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

2023	\$ (154,230)
2024	(178,962)
2025	(189,846)
2023	<u>(131,999)</u>
Total	<u><u>\$ (655,037)</u></u>

Actuarial Assumptions – The actuarial valuation as of December 31, 2019, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40-11%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.00%
Medicare plans	6.00%
Medicare Part A premiums:	
3.75% for 2021, gradually rising to 4.50% in 2029	

Healthy mortality assumptions for active members were based on the Pub2010 Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 99 percent of the PubNS-2010 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

Morgan County School District Re-3

Notes to the Financial Statements

Note 11 – Post-employment Healthcare Benefits (continued)

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, actuarial assumptions workshop and were adopted by PERA's Board during the November 20, 2020, Board meeting.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 20, 2020, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 10.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	<u>\$ 2,063,539</u>	<u>\$ 1,776,775</u>	<u>\$ 1,531,830</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 11 – Post-employment Healthcare Benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the District's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3.75% to 4.50%, as well as the District's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 1,725,751	\$ 1,776,775	\$ 1,835,883

OPEB Plan Fiduciary Net Position – Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 12 – Jointly Governed Organization

The District participates in Centennial Board of Cooperative Education Services (BOCES). Membership allows the District to provide special and extended services to the students of the District that previously were not economically possible. Centennial BOCES receives funding from local, state, and federal sources to provide a portion of the direct costs of each program, as well as billing the member districts for services provided. For the year ended June 30, 2022, the District paid \$258,379 for those services, which included \$7,268 paid for administrative services. Separate financial statements for the BOCES are available at 2020 Clubhouse Drive, Greeley, CO, 80634.

Note 13 – Tax, Spending, and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and student growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts.

Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

Morgan County School District Re-3

Notes to the Financial Statements

Note 13 – Tax, Spending, and Debt Limitations (continued)

The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

In November, 1997, the District's electorate approved a resolution to permit the District to collect, keep, and expend as a voter-approved revenue change and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, beginning with the fiscal year 1996 and each fiscal year thereafter, provided however, that there is no increasing of tax rates or new taxes imposed.

Except for bond refinancing at lower interest rates or by adding employees to existing pension plans, the amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

The amendment requires Emergency Reserves to be established. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. As of June 30, 2022, the District has restricted fund balance of \$1,500,000 in the General Fund for this reserve.

The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Note 14 – Contingencies/Commitments

Grants – The District receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of the District, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2022.

Morgan County School District Re-3

Notes to the Financial Statements

Note 15 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has transferred the risk of loss for workers compensation through the participation within the state sponsored workers compensation fund. The amounts of settlements have not exceeded insurance coverage in any of the past three years.

The District also participates in two insurance pools which provide insurance coverage for the District's general liability and property and casualty insurance and for the District's employees medical insurance.

Colorado School Districts Self-Insurance Pool – The Colorado School Districts Self-Insurance Pool (CSDSIP), sponsored by the Colorado Association of School Boards (CASB), operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a board of directors. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage.

The CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP. Settled claims have not exceeded this coverage in any of the past three fiscal periods.

BEST Health Plan – The District joined The Colorado Boards of Education Self-Funded Trust (BEST) in 2010. This partially self-funded trust was established in 2004 to offer a stable, long-term, statewide medical program designed to meet the business objective and challenges of school districts. Medical coverage for District employees is purchased through the trust.

The District pays a monthly premium to BEST to provide health insurance coverage and services for its plan members. Employees are responsible for paying a deductible amount before the plan begins to pay. The individual deductible amount for fiscal year 2022 was \$3,500. There is no lifetime maximum benefit for plan members.

Because there is the potential to incur high-cost medical claims, BEST purchases stop-loss coverage to cover claims that exceed its deductible limit, which is currently \$150,000. Each year, the deductible limit is reviewed based on actuarial analysis to determine if paying an additional premium would increase or reduce the ultimate cost of risk to the District.

As members of the BEST Health Plan, the District also purchases prescription coverage through the pool. In 2012 - 2017, the District deposited multiple amounts with BEST as a deposit to establish its claims fluctuation reserve (CFR). These deposits were made with letters accompanying the funds stating that in the event the District decided to exit the Plan, the deposits would be refunded to the District, less any outstanding run-off claims. Run-out claims are open claims at the termination date of the plan. Any additional billings not submitted by the terminations date would be covered by the District for these claims.

Morgan County School District Re-3

Notes to the Financial Statements

Note 15 – Risk Management (continued)

The balance on the balance sheet of the General Fund is currently \$642,500, which reflects the anticipated amount the District would receive after run-out claims and other fees to exit the group. The District sent a letter on February 8, 2022 notifying BEST that the District would be terminating the membership in the trust effective June 30, 2022.

Note 16 – Litigation

The District from time to time is involved in various legal matters. In the opinion of the District's counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the District.

Note 17 – Excess Expenditures

For the year ended June 30, 2022, the District reported the following over expenditures:

General fund, Instruction \$430,497
General fund, Supporting services \$364,535
Food service fund \$186,817
Private-purpose trust fund \$1,123

Required Supplementary Information

Morgan County School District Re-3
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado School Division Trust Fund
June 30, 2022

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY									
	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
District's Proportion of the Net Pension Liability	<u>0.3631835325%</u>	<u>0.3631835325%</u>	<u>0.3439872861%</u>	<u>0.3276944674%</u>	<u>0.3696201719%</u>	<u>0.3602611241%</u>	<u>0.3617443754%</u>	<u>0.3656166177%</u>	<u>0.3707465781%</u>
District's Proportionate Share of the Net Pension Liability	\$ 36,725,202	\$ 54,906,025	\$ 51,390,954	\$ 58,025,036	\$ 119,522,027	\$ 107,263,668	\$ 55,326,248	\$ 49,553,333	\$ 47,288,626
State's Proportionate Share of the Net Pension Liability Associated with the District	4,210,075	-	6,518,289	7,934,118	-	-	-	-	-
Total Proportionate Share	<u>\$ 40,935,277</u>	<u>\$ 54,906,025</u>	<u>\$ 57,909,243</u>	<u>\$ 65,959,154</u>	<u>\$ 119,522,027</u>	<u>\$ 107,263,668</u>	<u>\$ 55,326,248</u>	<u>\$ 49,553,333</u>	<u>\$ 47,288,626</u>
District's Covered Payroll	\$ 18,911,058	\$ 19,428,689	\$ 20,206,371	\$ 18,015,263	\$ 17,050,207	\$ 16,173,882	\$ 15,764,734	\$ 15,316,707	\$ 14,945,964
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	216%	283%	254%	322%	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	67%	65%	57%	44%	43%	59%	63%	64%
DISTRICT CONTRIBUTIONS									
	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
Statutorily Required Contribution	\$ 3,835,152	\$ 3,819,008	\$ 4,015,672	\$ 3,534,150	\$ 3,315,227	\$ 3,045,963	\$ 2,830,814	\$ 2,614,912	\$ 2,422,215
Contributions in Relation to the Statutorily Required Contribution	<u>(3,835,152)</u>	<u>(3,819,008)</u>	<u>(4,015,672)</u>	<u>(3,534,150)</u>	<u>(3,315,227)</u>	<u>(3,045,963)</u>	<u>(2,830,814)</u>	<u>(2,614,912)</u>	<u>(2,422,215)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 19,343,158	\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824	\$ 16,570,403	\$ 15,959,719	\$ 15,481,355	\$ 15,147,263
Contributions as a Percentage of Covered Payroll	19.83%	19.89%	19.38%	19.13%	18.89%	18.38%	17.74%	16.89%	15.99%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Morgan County School District Re-3
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2022

	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability					
District's Proportion of the Net OPEB Liability	0.2060495325%	0.2100975617%	0.2247254202%	0.2130048354%	0.2100175754%
District's Proportionate Share of the Net OPEB Liability	\$ 1,776,775	\$ 1,996,400	\$ 2,525,909	\$ 2,898,020	\$ 2,729,388
District's Covered Payroll	\$ 18,911,058	\$ 19,428,689	\$ 20,206,371	\$ 18,015,263	\$ 17,050,207
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	9%	10%	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		33%	24%	17%	18%
	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18
District Contributions					
Statutorily Required Contribution	\$ 207,573	\$ 195,839	\$ 211,346	\$ 188,439	\$ 179,039
Contributions in Relation to the Statutorily Required Contribution	(207,573)	(195,839)	(211,346)	(188,439)	(179,039)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 19,343,158	\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824
Contributions as a Percentage of Covered Payroll	1.07%	1.02%	1.02%	1.02%	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Morgan County School District Re-3
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Property Taxes	\$ 8,501,448	\$ 7,789,550	\$ 8,883,437	\$ 1,093,887
Delinquent Taxes	-	1,000	42,062	41,062
Specific Ownership Taxes	675,020	660,107	677,031	16,924
Specific Ownership - Bond Redemption and Mill Levy	347,444	347,444	293,722	(53,722)
Tuition	7,207	5,000	5,638	638
Interest Income	13,711	13,711	43,105	29,394
Other	41,589	41,589	370,161	328,572
Federal Sources - Grants	849,372	3,158,979	2,632,521	(526,458)
State Sources:				
State Equalization	19,592,725	20,221,404	19,902,867	(318,537)
ESL	228,568	453,685	233,431	(220,254)
Vocational Education	70,425	50,000	64,393	14,393
Transportation	169,577	221,374	226,250	4,876
Special Education	823,772	824,396	591,377	(233,019)
SB17-267 Sustainability of Rural Colorado	581,670	571,670	571,670	-
Other State Sources	742	742	1,042,684	1,041,942
Total Revenues	31,903,270	34,360,651	35,580,349	1,219,698
Expenditures (See Schedules)				
Instruction	18,212,243	19,012,546	19,443,043	(430,497)
Supporting Services	12,307,410	15,253,522	15,618,057	(364,535)
Total Expenditures	30,519,653	34,266,068	35,061,100	(795,032)
Excess (Deficiency) of Revenue Over Expenditures	1,383,617	94,583	519,249	424,666
Other Financing Sources (Uses)				
Insurance Proceeds	-	-	3,376	3,376
Transfers Out	(1,961,920)	(1,977,698)	(49,589)	1,928,109
Total Other Financing Sources (Uses)	(1,961,920)	(1,977,698)	(46,213)	1,931,485
Net Change in Fund Balance	(578,303)	(1,883,115)	473,036	2,356,151
Beginning Fund Balance	10,038,370	9,923,805	12,523,807	2,600,002
Ending Fund Balance	\$ 9,460,067	\$ 14,820,910	\$ 12,996,843	\$ 4,956,153

Morgan County School District Re-3
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Instruction				
Salaries	\$ 12,495,165	\$13,088,085	\$ 13,302,306	\$ (214,221)
Employee Benefits	5,043,768	5,043,768	5,274,153	(230,385)
Purchased Services	400,030	537,960	436,792	101,168
Supplies and Materials	190,350	246,620	234,484	12,136
Capital Outlay	23,150	43,130	59,972	(16,842)
Other	59,780	70,343	135,336	(64,993)
Total Instruction	<u>\$ 18,212,243</u>	<u>\$ 19,029,906</u>	<u>\$ 19,443,043</u>	<u>\$ (413,137)</u>
Total Instructional Services	\$ 18,212,243	\$ 19,029,906	\$ 19,443,043	(413,137)
Less Capital Outlay	(23,150)	(43,130)	(59,972)	16,842
Net Instructional Services	<u>\$ 18,189,093</u>	<u>\$ 18,986,776</u>	<u>\$ 19,383,071</u>	<u>\$ (396,295)</u>
Supporting Services 21				
Students				
Salaries	\$ 630,365	\$ 630,365	\$ 1,174,460	\$ (544,095)
Employee Benefits	227,119	227,119	440,129	(213,010)
Purchased Services	23,290	27,975	5,265	22,710
Supplies and Materials	9,460	10,150	17,102	(6,952)
Capital Outlay	390	2,300	802	1,498
Other	520	175	9,155	(8,980)
Total Students	<u>891,144</u>	<u>898,084</u>	<u>1,646,913</u>	<u>(748,829)</u>
Instructional Staff 22				
Salaries	744,853	744,853	765,385	(20,532)
Employee Benefits	295,222	295,222	289,883	5,339
Purchased Services	18,710	48,610	126,071	(77,461)
Supplies and Materials	201,010	378,290	356,873	21,417
Capital Outlay	266,659	375,659	652,536	(276,877)
Other	15,420	15,506	22,624	(7,118)
Total Instructional Staff	<u>1,541,874</u>	<u>1,858,140</u>	<u>2,213,372</u>	<u>(355,232)</u>
General Administration 23				
Salaries	111,874	111,874	196,301	(84,427)
Employee Benefits	24,428	24,428	84,460	(60,032)
Purchased Services	241,340	387,833	167,162	220,671
Supplies and Materials	12,850	12,850	12,197	653
Capital Outlay	-	10,000	9,400	600
Other	21,630	20,115	20,766	(651)
Total General Administration	<u>412,122</u>	<u>567,100</u>	<u>490,286</u>	<u>76,814</u>
School Administration 24				
Salaries	1,578,498	1,578,498	1,620,291	(41,793)
Employee Benefits	554,783	554,783	551,035	3,748
Purchased Services	5,790	30,130	14,598	15,532
Supplies and Materials	12,200	14,200	13,516	684
Capital Outlay	2,050	2,050	3,622	(1,572)
Other	(42,360)	(43,760)	7,938	(51,698)
Total School Administration	<u>2,110,961</u>	<u>2,135,901</u>	<u>2,211,000</u>	<u>(75,099)</u>

Morgan County School District Re-3
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Business Services 25				
Salaries	\$ 406,282	\$ 406,282	\$ 434,972	\$ (28,690)
Employee Benefits	172,092	172,092	165,897	6,195
Purchased Services	121,360	258,450	322,887	(64,437)
Supplies and Materials	33,930	80,430	76,232	4,198
Capital Outlay	29,690	29,690	24,608	5,082
Other	(23,060)	(58,974)	333,190	(392,164)
Total Business Services	740,294	887,970	1,357,786	(469,816)
Operations and Maintenance 26				
Salaries	1,472,172	1,472,172	1,663,852	(191,680)
Employee Benefits	649,628	649,628	676,571	(26,943)
Purchased Services	393,560	588,600	772,090	(183,490)
Supplies and Materials	727,157	905,646	757,454	148,192
Capital Outlay	605,860	608,200	447,354	160,846
Other	2,710	960	684	276
Total Operations and Maintenance	3,851,087	4,225,206	4,318,005	(92,799)
Student Transportation 27				
Salaries	539,006	539,006	553,269	(14,263)
Employee Benefits	255,191	255,191	251,160	4,031
Purchased Services	17,790	47,930	110,322	(62,392)
Supplies and Materials	111,880	181,330	157,389	23,941
Capital Outlay	15,030	415,030	392,162	22,868
Other	(36,986)	(49,467)	(82,543)	33,076
Total Student Transportation	901,911	1,389,020	1,381,759	7,261
Central Support 28				
Salaries	539,312	539,312	537,104	2,208
Employee Benefits	184,842	184,842	173,434	11,408
Purchased Services	261,510	416,130	189,901	226,229
Supplies and Materials	146,010	146,010	79,076	66,934
Capital Outlay	70,010	70,010	79,187	(9,177)
Other	16,130	5,250	3,473	1,777
Total Central Support	1,217,814	1,361,554	1,062,175	299,379
Other Support 29				
Salaries	53,254	53,254	26,846	26,408
Employee Benefits	22,579	22,579	10,845	11,734
Purchased Services	72,540	904,540	898,539	6,001
Supplies and Materials	-	-	531	(531)
Capital Outlay	30,620	562,037		562,037
Other	461,210	376,005		376,005
Total Other Support	640,203	1,918,415	936,761	981,654
Total Supporting Services	\$ 12,307,410	\$ 15,241,390	\$ 15,618,057	\$ (376,667)
Total Support Services	\$ 12,307,410	\$ 15,241,390	\$ 15,618,057	(376,667)
Less Capital Outlay	(1,020,309)	(2,074,976)	(1,609,671)	(465,305)
Net Support Services	\$ 11,287,101	\$ 13,166,414	\$ 14,008,386	\$ (841,972)

Morgan County School District Re-3
Budgetary Comparison Schedule – Federal Programs Fund
For the Fiscal Year Ended June 30, 2022

	June 30, 2022				June 30, 2021
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues:					
Local Sources	\$ 60,330	\$ 369,387	\$ 73,664	\$ (295,723)	\$ 369,387
State Sources	615,970	672,868	772,577	99,709	672,868
Federal Sources	1,178,883	1,296,818	863,306	(433,512)	1,296,818
Interest Income	-	-	1,569	1,569	-
Total Revenues	1,855,183	2,339,073	1,711,116	(627,957)	2,339,073
Expenditures:					
Salaries	1,069,625	1,306,078	1,024,695	281,383	1,306,078
Benefits	427,597	548,873	395,972	152,901	548,873
Purchased Services	48,754	277,917	88,836	189,081	277,917
Supplies	165,104	227,112	160,333	66,779	227,112
Capital Outlay	-	-	6,020	(6,020)	-
Non Capital Outlay	52,121	19,552	39,892	(20,340)	19,552
Other	154,301	45,237	15,343	29,894	45,237
Total Expenditures	1,917,502	2,424,769	1,731,091	693,678	2,424,769
Excess (Deficiency) of Revenues over Expenditures	(62,319)	(85,696)	(19,975)	65,721	5,877
Other Financing Sources:					
Transfers In	62,319	91,573	49,589	(41,984)	-
Net Change in Fund Balance	-	5,877	29,614	23,737	5,877
Beginning Fund Balance	288,680	273,688	273,688	-	272,741
Ending Fund Balance	\$ 288,680	\$ 279,565	\$ 303,302	\$ 23,737	\$ 278,618

Morgan County School District Re-3
Notes to Required Supplementary Information
June 30, 2022

Note (1) Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs – For the year ended June 30, 2022, the total pension liability was determined by an actuarial valuation as of December 31, 2020. There were no significant changes to assumptions.

Note (2) Budgets and Budgetary Accounting

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data reflected in the financial statements:

- 1) Budgets are required by state law for all funds. Prior to May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- 3) Prior to June 30, the budget is adopted by formal resolution.
- 4) Expenditures may not legally exceed appropriations at the fund level.
Authorization to transfer budget line items within any department in the General Fund rests with the Superintendent of Schools, or department directors. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- 5) Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the Food Services Fund, which accounts for the interfund reimbursements as an expense reimbursement and not as a revenue. All annual appropriations lapse at fiscal year-end.

Morgan County School District Re-3
Combining Balance Sheet
General Fund
June 30, 2022

	June 30, 2022						June 30, 2021	
	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund	Total General Fund
Assets:								
Cash and Investments	\$ 12,171,556	\$ 640,989	\$ 66,368	\$ 763,108	\$ 304,534	\$ 169,212	\$ 14,115,767	\$ 14,058,217
Receivable from Treasurer	142,691	3,321	-	-	-	-	146,012	104,628
Property and S.O. Tax Receivable	420,569	22,479	-	-	-	-	443,048	535,427
Accounts Receivable	115,347	-	33,902	-	-	-	149,249	225,111
Intergovernmental Receivable	1,389,613	-	824	-	-	-	1,390,437	627,267
Interfund Receivables	1,198,192	4,224	11,823	20,773	-	39,429	1,274,441	530,745
Prepaid Expenditures	218,412	5,468	843	-	5,306	783	230,812	103,296
Inventory	78,780	-	-	-	-	-	78,780	62,733
Total Assets	<u>\$ 15,735,160</u>	<u>\$ 676,481</u>	<u>\$ 113,760</u>	<u>\$ 783,881</u>	<u>\$ 309,840</u>	<u>\$ 209,424</u>	<u>\$ 17,828,546</u>	<u>\$ 16,247,424</u>
Liabilities:								
Accounts Payable	\$ 344,535	\$ 19,251	\$ 1,535	\$ 37,704	\$ 1,356	\$ 247	404,628	\$ 301,974
Hospital Escrow	14,123	-	-	-	-	-	14,123	11,652
Accrued Salaries and Benefits	3,628,315	-	101,399	-	-	53,812	3,783,526	2,855,929
Interfund Payables	266,513	-	750	-	-	1,607	268,870	259,004
Unearned Revenue	143,155	-	-	-	-	-	143,155	32,669
Total Liabilities	<u>4,396,641</u>	<u>19,251</u>	<u>103,684</u>	<u>37,704</u>	<u>1,356</u>	<u>55,666</u>	<u>4,614,302</u>	<u>3,461,228</u>
Deferred Inflows of Resources:								
Taxes	<u>204,044</u>	<u>13,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,401</u>	<u>262,390</u>
Total Deferred Inflows of Resources	<u>204,044</u>	<u>13,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,401</u>	<u>262,390</u>
Fund Balances:								
Non-Spendable								
Prepaid Expenditures	36,755	-	-	-	-	-	36,755	36,755
Inventory	78,779	-	-	-	-	-	78,779	83,350
Restricted								
Emergency Reserve (TABOR)	1,500,000	-	-	-	-	-	1,500,000	1,500,000
Mill Levy - Capital and Maintenance	-	643,873	-	-	-	-	643,873	777,331
Preschool	-	-	-	-	-	153,758	153,758	70,922
Assigned								
Subsequent Year's Budget	-	-	-	-	-	-	-	1,350,527
Capital Projects/Replacements	-	-	-	746,177	-	-	746,177	837,613
Unassigned	9,518,941	-	10,076	-	308,484	-	9,837,501	7,867,308
Total Fund Balances	<u>11,134,475</u>	<u>643,873</u>	<u>10,076</u>	<u>746,177</u>	<u>308,484</u>	<u>153,758</u>	<u>12,996,843</u>	<u>12,523,806</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,735,160</u>	<u>\$ 676,481</u>	<u>\$ 113,760</u>	<u>\$ 783,881</u>	<u>\$ 309,840</u>	<u>\$ 209,424</u>	<u>\$ 17,828,546</u>	<u>\$ 16,247,424</u>

Morgan County School District Re-3
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2022

	For the Fiscal Year Ended June 30, 2022						For the Fiscal Year Ended June 30, 2021
	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund
Property Taxes	\$ 8,375,628	\$ 549,871	\$ -	\$ -	\$ -	\$ -	\$ 8,925,499
Specific Ownership Taxes	970,753	-	-	-	-	-	970,753
Intergovernmental	5,195,316	-	100,145	27,812	-	66,865	5,390,138
State Equalization	19,902,866	-	-	-	-	-	19,902,866
Interest Income	40,005	2,782	77	3	78	161	43,106
Other	41,207	4	5,000	4,000	-	-	50,211
Local Sources	48,948	-	248,828	-	-	-	297,776
Total Revenues	34,574,723	552,657	354,050	31,815	78	67,026	35,580,349
Expenditures:							
Current							
Instruction	18,816,207	7,478	-	-	-	542,900	19,366,585
Supporting Services	11,801,091	467,583	544,299	-	798,176	28,982	13,640,131
Debt Service							
Principal	275,000	-	-	-	-	-	275,000
Interest	100,584	-	-	-	-	-	100,584
Non Capital Outlay	522,257	200,522	-	89,286	-	5,228	817,293
Capital Outlay	298,008	10,532	-	552,966	-	-	861,506
Total Expenditures	31,813,147	686,115	544,299	642,252	798,176	577,110	35,061,099
Excess (Deficiency) of Revenues over Expenditures	2,761,576	(133,458)	(190,249)	(610,437)	(798,098)	(510,084)	519,250
Other Financing Sources (Uses):							
Insurance Proceeds	-	-	-	-	3,376	-	3,376
Allocations In	-	-	-	519,000	800,000	592,920	1,911,920
Allocations Out	(1,911,920)	-	-	-	-	-	(1,911,920)
Transfers Out	(49,589)	-	-	-	-	-	(49,589)
Total Other Financing Sources (Uses)	(1,961,509)	-	-	519,000	803,376	592,920	(46,213)
Net Change in Fund Balances	800,067	(133,458)	(190,249)	(91,437)	5,278	82,836	473,037
Fund Balances - Beginning of the Year	10,334,407	777,332	200,325	837,613	303,206	70,922	12,523,806
Fund Balances - End of the Year	\$ 11,134,474	\$ 643,874	\$ 10,076	\$ 746,176	\$ 308,484	\$ 153,758	\$ 12,996,843

Morgan County School District Re-3
Combining Balance Sheet
Nonmajor Funds
June 30, 2022

	June 30, 2022			June 30, 2021
	Food Service Fund	Pupil Activity Fund	Total Non-Major Funds	Total Non-Major Funds
ASSETS				
Cash and Investments	\$ 945,664	\$ 642,802	\$ 1,588,466	\$ 1,167,514
Accounts Receivable	235,975	778	236,753	1,090
Intergovernmental Receivable	-	-	-	316,975
Interfund Receivables	198	7,678	7,876	12,342
Prepaid Expenditures	7,874	7,614	15,488	3,061
Inventory	58,982	-	58,982	29,303
Total Assets	<u>\$ 1,248,693</u>	<u>\$ 658,872</u>	<u>\$ 1,907,565</u>	<u>\$ 1,530,285</u>
Liabilities:				
Accounts Payable	\$ 2,198	\$ 6,240	\$ 8,438	15,711
Accrued Salaries and Benefits	105,056	-	105,056	15,721
Due to Other Governments	-	-	-	152,979
Interfund Payables	144,334	468	144,802	614
Unearned Revenue	-	-	-	-
Total Liabilities	<u>251,588</u>	<u>6,708</u>	<u>258,296</u>	<u>185,025</u>
Fund Balances:				
Non-Spendable				
Prepaid Expenditures	7,874	-	7,874	812
Inventory	58,982	-	58,982	29,303
Assigned				
Activity Funds	-	652,164	652,164	626,291
Food Service	2,077	-	2,077	2,077
Capital Projects/Replacements	928,172	-	928,172	686,777
District Grant Funding Set Aside	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>997,105</u>	<u>652,164</u>	<u>1,649,269</u>	<u>1,345,260</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,248,693</u>	<u>\$ 658,872</u>	<u>\$ 1,907,565</u>	<u>\$ 1,530,285</u>

Morgan County School District Re-3
Combining Statement of Revenues and Expenditures and Changes in Fund Balances
Nonmajor Funds
For the Fiscal Year Ended June 30, 2022

	June 30, 2022			June 30, 2021
	Food Service Fund	Pupil Activity Fund	Total Nonmajor Funds	Total Nonmajor Funds
Revenues				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Federal Sources	-	-	-	-
School Meals	22,773	-	22,773	19,638
Federal Aid:			-	
School Lunch Program	-	-	-	1,463,879
Donated Commodities	137,902	-	137,902	114,657
School Breakfast Program	356,072	-	356,072	-
Other Food Service Grants	1,711,608	-	1,711,608	391,593
State Aid:				
Child Nutrition Match	14,835	-	14,835	14,901
Interest Income	1,454	204	1,658	382
Interfund Reimbursements	31,761	-	31,761	38,570
Fees		508,826	508,826	218,792
Other Revenue	5,306	-	5,306	324
Total Revenues	2,281,711	509,030	2,790,741	2,262,736
Expenditures:				
Current				
Instruction	-	-	-	-
Supporting Services	-	476,616	476,616	264,071
Food Services	1,993,506	-	1,993,506	1,741,016
Non Capital Outlay	4,363	6,541	10,904	2,462
Capital Outlay	5,706	-	5,706	14,183
Total Expenditures	2,003,575	483,157	2,486,732	2,021,732
Excess (Deficiency) of				
Revenues over Expenditures	278,136	25,873	304,009	241,004
Other Financing Sources:				
Transfers In	-	-	-	-
Net Change in Fund Balance	278,136	25,873	304,009	241,004
Beginning Fund Balance	718,969	626,291	1,345,260	1,104,256
Ending Fund Balance	\$ 997,105	\$ 652,164	\$ 1,649,269	\$ 1,345,260

Morgan County School District Re-3
Budgetary Comparison Schedule - Bond Redemption Fund
For the Fiscal Year Ended June 30, 2022

	June 30, 2022				June 30, 2021
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive Negative	Actual Amounts
Revenue:					
Local Property Tax	\$ 3,089,095	\$ 3,190,226	\$ 2,862,139	\$ (328,087)	\$ 3,143,454
Interest Income	59	5,000	8,128	3,128	10,914
Other	27	30	21	(9)	27
Total Revenue	<u>3,089,181</u>	<u>3,195,256</u>	<u>2,870,288</u>	<u>(324,968)</u>	<u>3,154,395</u>
Expenditures:					
Paying Agent Fees	5,250	5,250	6,000	(750)	3,750
Debt Service:					-
Principal on Debt	2,545,000	2,545,000	2,545,000	-	2,335,000
Interest on Debt	<u>463,931</u>	<u>635,958</u>	<u>620,325</u>	<u>15,633</u>	<u>779,793</u>
Total Expenditures	<u>3,014,181</u>	<u>3,186,208</u>	<u>3,171,325</u>	<u>14,883</u>	<u>3,118,543</u>
Net Change in Fund Balance	75,000	9,048	(301,037)	(310,085)	35,852
Beginning Fund Balance	<u>2,941,481</u>	<u>2,769,264</u>	<u>2,905,459</u>	<u>136,195</u>	<u>2,869,607</u>
Ending Fund Balance	<u>\$ 3,016,481</u>	<u>\$ 2,778,312</u>	<u>\$ 2,604,422</u>	<u>\$ (173,890)</u>	<u>\$ 2,905,459</u>

Morgan County School District Re-3
Budgetary Comparison Schedule - Building Fund
For the Fiscal Year Ended June 30, 2022

	June 30, 2022				June 30, 2021
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues:					
Interest Income	\$ 6,229	\$ 450	\$ 23,346	\$ 22,896	1,569
State Grants	844,177	1,753,000	934,569	(818,431)	1,329,109
	<u>850,406</u>	<u>1,753,450</u>	<u>957,915</u>	<u>(795,535)</u>	<u>1,330,678</u>
Expenditures:					
Contracted Services	-	-	2,600	(2,600)	40,507
Capital Outlay - Building Improvements	2,674,034	3,307,000	3,034,983	272,017	3,110,853
Capital Outlay	260,000	260,000	77,479	182,521	89,407
Total Expenditures	<u>2,934,034</u>	<u>3,567,000</u>	<u>3,115,062</u>	<u>451,938</u>	<u>3,240,767</u>
Excess (Deficiency) of					
Revenues over Expenditures	(2,083,628)	(1,813,550)	(2,157,147)	(1,247,473)	(1,910,089)
Other Financing Sources (Uses):					
Payment to Refunded Capital Lease Escrow Agent	-	-	(2,962,033)	2,962,033	-
Capital Lease Paid	-	-	(3,954,578)	3,954,578	-
Bond Issuance Costs	-	-	(184,299)	184,299	-
Bond Proceeds and Premium	<u>-</u>	<u>-</u>	<u>14,820,910</u>	<u>(14,820,910)</u>	<u>4,100,000</u>
Net Change in Fund Balance	(2,083,628)	(1,813,550)	5,562,853	(8,967,473)	2,189,911
Beginning Fund Balance	<u>3,259,171</u>	<u>3,640,072</u>	<u>3,580,005</u>	<u>(60,067)</u>	<u>1,390,094</u>
Ending Fund Balance	<u>\$ 1,175,543</u>	<u>\$ 1,826,522</u>	<u>\$ 9,142,858</u>	<u>\$ (9,027,540)</u>	<u>\$ 3,580,005</u>

Morgan County School District Re-3
Budgetary Comparison Schedule – Food Service Fund
For the Fiscal Year Ended June 30, 2022

	June 30, 2022				June 30, 2021
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues					
School Meals	\$ 14,000	\$ 14,000	\$ 22,773	\$ (8,773)	\$ 19,638
Federal Aid:					
School Lunch Program	-	-	-	-	1,463,879
Donated Commodities	120,311	120,311	137,902	(17,591)	114,657
School Breakfast Program	1,500,000	1,500,000	356,072	1,143,928	-
Other Food Service Grants	-	-	1,711,608	(1,711,608)	-
State Aid:					
Child Nutrition Match	14,901	14,901	14,835	66	14,901
COVID 19	-	-	-	-	391,593
Interest Income	200	200	1,454	(1,254)	219
Inter Fund Reimbursements	33,000	33,000	31,761	1,239	38,570
Other Revenue	7,000	7,000	5,306	1,694	324
Total Revenues	1,689,412	1,689,412	2,281,711	592,299	2,043,781
Expenditures					
Salaries	592,149	592,149	649,383	(57,234)	562,102
Employee Benefits	305,498	305,498	313,155	(7,657)	276,748
Repairs & Maintenance	7,000	7,000	1,238	5,762	6,946
Purchased Services	2,700	2,700	5,620	(2,920)	2,651
Travel	500	500	1,579	(1,079)	754
Supplies & Materials	59,300	59,300	58,499	801	64,610
Food Costs:					
Food and Milk	720,000	720,000	819,424	(99,424)	708,402
Commodities	120,311	120,311	137,902	(17,591)	114,657
Commodities Fees	2,300	2,300	4,487	(2,187)	2,311
Capital Equipment	-	-	5,706	(5,706)	8,984
Non Capital Equipment	5,000	5,000	4,363	637	-
Other	2,000	2,000	2,219	(219)	1,835
Total Expenditures	1,816,758	1,816,758	2,003,575	(186,817)	1,750,000
Net Change in Fund Balance	(127,346)	(127,346)	278,136	405,482	293,781
Beginning Fund Balance	374,730	359,363	718,969	359,606	425,188
Ending Fund Balance	\$ 247,384	\$ 232,017	\$ 997,105	\$ 765,088	\$ 718,969

Morgan County School District Re-3
Budgetary Comparison Schedule – Pupil Activity Fund
For the Fiscal Year Ended June 30, 2022

	June 30, 2022				June 30,2021
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenue:					
Interest Income	\$ -	\$ -	\$ 204	\$ 204	\$ 163
Fees	465,000	465,000	508,826	43,826	218,792
Total Revenue	465,000	465,000	509,030	44,030	218,955
Expenditures:					
Supporting Services	455,000	455,000	476,616	21,616	266,533
Non Capital Expenditures	10,000	10,000	6,541	(3,459)	5,199
Total Expenditures	465,000	465,000	483,157	18,157	271,732
Net Change in Fund Balance	-	-	25,873	25,873	(52,777)
Beginning Fund Balance	624,326	573,078	626,291	53,213	679,068
Ending Fund Balance	\$ 624,326	\$ 573,078	\$ 652,164	\$ 79,086	\$ 626,291

Morgan County School District Re-3
Budgetary Comparison Schedule - Private-Purpose Trust Fund
For the Fiscal Year Ended June 30, 2022

	June 30, 2022			June 30, 2021	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Additions:					
Contributions and Donations	\$ 225,000	\$ 225,000	\$ 226,750	\$ 1,750	\$ 192,275
Interest Income	-	-	623	623	294
Total Additions	225,000	225,000	227,373	2,373	192,569
Deductions:					
Scholarship Awards	225,000	225,000	226,250	(1,250)	193,625
Change in Net Position	-	-	1,123	1,123	(1,056)
Beginning Net Position	107,528	138,904	138,903	(1)	139,960
Ending Net Position	<u>\$ 107,528</u>	<u>\$ 138,904</u>	<u>\$ 140,026</u>	<u>\$ 1,122</u>	<u>\$ 138,904</u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Morgan County School District Re-3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County School District Re-3 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Morgan County School District Re-3's basic financial statements, and have issued our report thereon dated December 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Medford, Oregon
December 15, 2022

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Morgan County School District Re-3

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morgan County School District Re-3's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Morgan County School District Re-3's (the District) major federal programs for the year ended June 30, 2022. Morgan County School District Re-3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Morgan County School District Re-3 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Medford, Oregon
December 15, 2022

Morgan County School District Re-3
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ Yes ☒ No
☐ Yes ☒ None reported
☐ Yes ☒ No

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ Yes ☒ No
☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

Assistance Listing number	Name of Federal Program or Cluster	Type of Auditor's Report Issued on Compliance for Major Federal Programs
84.425D, 84.425I	ESSER	Unmodified
84.027, 84.173	Special Education Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Morgan County School District Re-3

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2022

	Assistance Listing Number	Pass-through Entity Grant Code	Expenditures	Pass-through to Subrecipients
Federal Grantor/Pass-Through Grantor/Program Title				
U.S. Department of Agriculture				
Child Nutrition Cluster				
Passed through State Department of Human Services				
Food Donation	10.555	N/A	\$ 137,902	\$ -
Passed Through State Department of Education				
COVID-19 National School Lunch Program	10.555	4555	1,816,104	-
Summer Food Service Program for Children	10.559	4559	48,048	-
Subtotal Child Nutrition Cluster			2,002,054	-
Passed Through State Department of Public Health and Environment				
Child and Adult Care Food Program	10.558	N/A	19,907	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,021,961	-
U.S. Department of Treasury				
Passed Through State Department of Education				
COVID-19 Coronavirus Relief Fund	21.019	4012	33	-
Total U.S. DEPARTMENT OF TREASURY			33	-
U.S. Department of Education				
Passed Through State Department of Education				
Title I	84.010	4010/9211	461,081	-
Title I	84.010	4010/9202	230	-
Title I	84.010	4010/9212	441	-
Total ALN 84.010			461,752	
Right For Rural	84.206	5206	38,120	-
COVID-19 ESSER II	84.425D	4420	1,256,533	-
COVID-19 ESSER II Supplemental	84.425D	4419	5,359	-
COVID-19 ESSER II Supplemental	84.425D	5425	13,500	-
COVID-19 ESSER III	84.425D	4414	404,159	-
Total ALN 84.425D			1,679,551	
COVID-19 ESSER III Set Aside	84.425I	4437	94,779	-
COVID-19 ESSER III Set Aside	84.425I	4437	6,990	-
Total ALN 84.425I			101,769	-
Total ESSER			1,781,320	-
Special Education Cluster				
Special Education	84.027	4027	746,041	-
Special Education - Preschool	84.173	4173	32,732	-
Subtotal Special Education Cluster			778,773	
Migrant	84.011A	4011	102,186	
COVID-19 American Rescue Plan	84.434	4434	45,987	
English Language Acquisition	84.365	4365/7365	92,441	-
Supporting Effective Instruction	84.367	4367	96,164	-
Student Support and Academic Enrichment Program	84.424	4424	49,620	-
Passed Through State Community College System				
Career and Technical Education	84.048	N/A	23,023	-
TOTAL U.S. DEPARTMENT OF EDUCATION			3,469,386	-
U.S. Department of Health and Human Services				
Direct Program				
CCDF Cluster				
Child Care Stabilization	93.575	7575.0	80,238	-
Child Care Stabilization	93.575	7575.0	66,865	-
Total ALN 93.575 CCDF Cluster			147,103	-
TOTAL U.S. DEPARTMENT OF Health and Human Services			147,103	-
TOTAL			\$ 5,638,483	\$ -

See notes to schedule of expenditures of federal awards.

Morgan County School District Re-3
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

NOTE (1) Basis of Presentation and Significant Accounting Principles

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all Federal grants to the District that had expenditures during the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This Schedule has been prepared on the modified accrual basis of accounting. Grant revenues are recorded when the District has met the qualifications for the respective grants. Because the schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position or changes of the District.

NOTE (2) Subrecipients

For the year ended June 30, 2022, the District did not pass through any federal grant awards to subrecipients.

NOTE (3) Indirect Cost Rate

The District has elected not to use the 10% de-minimis indirect cost rate.

NOTE (4) Non-Cash Programs (Commodities)

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$137,902 are valued based on the USDA's Donated Commodity Price List. These are shown as part of the National School Lunch program (10.555).



District Support Center

715 West Platte Avenue
Fort Morgan, Colorado 80701
970-867-5633
Fax: 970-867-0262
www.morgan.k12.co.us

Summary Schedule of Prior Audit Findings

The following represents the Morgan County School District's summary schedule of prior audit findings for the year ended June 30, 2021:

Section II – Financial Statement Findings

Finding 2021-001 – Material Weakness over Financial Reporting

Current Year Status: Corrected

Fiscal Year in Which Finding First Occurred: 2021

Reason for Corrected Status: The district obtained a blue book for accounting staff daily reference. In addition, the CFO attended various trainings related to governmental and fund accounting/financial reporting.



Colorado Department of Education

Auditors Integrity Report

District: 2405 - Fort Morgan Re-3

Fiscal Year 2021-22

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	12,149,678	34,070,736	33,685,813	12,534,601
18 Risk Mgmt Sub-Fund of General Fund	303,207	803,454	798,177	308,485
19 Colorado Preschool Program Fund	70,922	659,946	577,110	153,758
Sub- Total	12,523,807	35,534,136	35,061,100	12,996,843
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	718,969	2,249,950	1,971,815	997,105
22 Govt Designated-Purpose Grants Fund	273,688	1,760,705	1,731,091	303,302
23 Pupil Activity Special Revenue Fund	626,291	509,030	483,157	652,164
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,905,459	2,870,289	3,171,325	2,604,423
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	3,580,005	15,778,824	10,215,972	9,142,857
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	20,628,219	58,702,935	52,634,459	26,696,695
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	138,903	227,373	226,250	140,026
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	138,903	227,373	226,250	140,026

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.